ORITRON

ORIENT POWER HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 615)

http://www.orientpower.com

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2005

INTERIM RESULTS

The board of directors (the "Board") of Orient Power Holdings Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005 (the "Period"), together with comparative figures for the corresponding period in 2004 are as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2005

		For the six months ended 30 June	
			Restated
		2005	2004
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
TURNOVER	*3*	**1,700,602**	1,833,140
Cost of sales		**(1,564,779)**	(1,687,869)
Gross profit		**135,823**	145,271
Other income and gains	*4*	**11,554**	11,469
Selling and distribution costs		**(37,851)**	(44,421)
Administrative expenses		**(81,702)**	(83,241)
Other operating expenses		**(7,831)**	(7,251)
Finance costs	*5*	**(17,120)**	(6,859)
Share of profits and (losses) of:			
Jointly-controlled entities		**(866)**	(4,474)
Associate		**–**	3,587
PROFIT BEFORE TAX	*6*	**2,007**	14,081
Tax	*7*	**(620)**	(395)
PROFIT FOR THE PERIOD		**1,387**	13,686

ATTRIBUTABLE TO:			
Equity holders of the parent		**881**	13,698
Minority interests		**506**	(12)
		1,387	13,686
EARNINGS PER SHARE – HK cents	*8*		
Basic		**0.2**	2.7
Diluted		**N/A**	N/A
DIVIDEND PER SHARE – HK cent	*9*	**Nil**	0.5

CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2005

	30 June 2005 (Unaudited) *HK$'000*	Restated 30 June 2004 (Unaudited) *HK$'000*	Restated 31 December 2004 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Fixed assets:			
Property, plant and equipment	**508,853**	362,595	408,216
Investment property	**4,200**	3,500	4,200
Prepaid land lease payments	**5,409**	–	–
Deferred product development costs	**74,802**	64,513	67,006
Goodwill	**1,521**	–	–
Interests in jointly-controlled entities	**54,152**	140,983	97,932
Interests in associates	**–**	49,166	–
Deposits for product development costs and mould	**45,258**	38,286	39,152
Deferred tax assets	**9,388**	4,165	8,560
Total non-current assets	**703,583**	663,208	625,066
CURRENT ASSETS			
Trade receivables	**682,105**	466,708	481,658
Inventories	**931,494**	559,629	359,062
Bills receivable	**49,902**	16,637	701
Prepayments, deposits and other receivables	**41,921**	29,901	18,915
Prepaid land lease payments	**127**	–	–
Cash and cash equivalents	**150,429**	371,450	321,431
Total current assets	**1,855,978**	1,444,325	1,181,767

CURRENT LIABILITIES			
Amount due to jointly-controlled entities	**–**	41,959	–
Trade payables	**391,965**	490,651	324,752
Provisions for sales returns and warranty costs	**5,434**	15,658	11,431
Other payables and accruals	**94,716**	85,221	96,108
Tax payable	**14,554**	18,052	13,807
Bank loans and other borrowings	**946,673**	440,360	281,597
Finance lease and hire purchase contract payables	**–**	24	6
Due to minority shareholder of subsidiaries	**13,981**	1,997	3,808
Total current liabilities	**1,467,323**	1,093,922	731,509
NET CURRENT ASSETS	**388,655**	350,403	450,258
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,092,238**	1,013,611	1,075,324
NON-CURRENT LIABILITIES			
Bank loans and other borrowings	**307,143**	278,571	300,000
Deferred tax liabilities	**30,734**	17,497	30,772
	337,877	296,068	330,772
	754,361	717,543	744,552
CAPITAL AND RESERVES			
Share capital	**50,981**	50,981	50,981
Reserves	**686,740**	666,551	693,466
Equity attributable to equity holders of the parent	**737,721**	717,532	744,447
Minority interests	**16,640**	11	105
	754,361	717,543	744,552

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2004, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 1, 2, 7, 8, 10, 12,16, 18, 19, 21, 23, 24, 27, 28, 32, 33, 37, 38, 39, HKFRS2, HK(SIC)-Int 21 and HK-Int 4 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements. The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 17 – Leases

In prior periods, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from fixed assets to prepaid land premiums/land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

This change in accounting policy has had no effect on the condensed consolidated income statement and retained earnings. The comparatives on the condensed consolidated balance sheet for the year ended 31 December 2004 have been restated to reflect the reclassification of leasehold land.

(b) HKAS 40 - Investment Property

In prior periods, changes in the fair values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

The Group has taken advantage of the transitional provisions of HKAS 40 to adjust the effect of adopting the standard to the opening balance of retained earnings rather than restating the comparative amounts to reflect the changes retrospectively for the earlier period presented in the condensed consolidated financial statements. The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements.

(c) HKFRS 3 - Business Combinations and HKAS 36 – Impairment of Assets

In prior periods, goodwill/negative goodwill arising on acquisitions prior to 1 January 2001 was eliminated against consolidated capital reserve in the year of acquisition and was not recognised in the income statement until disposal or impairment of the acquired business.

Goodwill arising on acquisitions on or after 1 January 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the balance sheet and was recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets, except to the extent it related to expectations of future losses and expenses that were identified in the acquisition plan and that could be measured reliably, in which case, it was recognised as income in the consolidated income statement when the future losses and expenses were recognised.

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates (previously referred to as "negative goodwill"), after reassessment, is recognised immediately in the income statement.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding entry to the cost of goodwill and to derecognise the carrying amounts of negative goodwill (including that remaining in consolidated capital reserve) against retained earnings. Goodwill previously eliminated against consolidated capital reserve remains eliminated against consolidated capital reserve and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

2. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in note 1 above are as follows:

(i) On profit and loss account line items

	For the six months ended 30 June	
	2005	2004
	HK$000	*HK$000*
(Decrease)/Increase in share of results of jointly-controlled entities	**(3)**	44
Decrease in share of results of associates	**–**	(707)
Decrease in taxation	**3**	663
	–	–

The application of the HKFRSs has had no effect to the Group's profit for the period ended 30 June 2005 and 2004.

(ii) On balance sheet items

	As at 31.12.2004	Adjustments	As at 1.1.2005
	HK$'000	*HK$'000*	*HK$'000*
Capital reserve	1,243	(1,243)	–
Goodwill reserve	(25,918)	25,918	–
Property revaluation reserve	9,936	(550)	9,386
Retained profits	487,734	(24,125)	463,609

The application of the HKFRSs has had no effect to the Group's equity at 1 January 2004.

3. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. The following tables present revenue and results for the Group's business segments.

(a) Business segments

Group

Six months ended 30 June 2005

	Home entertainment *HK$'000*	In-car electronics *HK$'000*	Network information/ entertainment solutions *HK$'000*	Corporate and Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Segment revenue:						
Sales to external customers	**790,756**	**908,548**	**1,298**	**–**	**–**	**1,700,602**
Intersegment sales	**–**	**19,532**	**–**	**–**	**(19,532)**	**–**
Other revenue	**3,641**	**4,612**	**2**	**108**	**–**	**8,363**
Total	**794,397**	**932,692**	**1,300**	**108**	**(19,532)**	**1,708,965**
Segment results	**11,075**	**18,945**	**(1,392)**	**108**	**–**	**28,736**
Interest income						**3,191**
Unallocated expenses						**(11,934)**
Finance costs						**(17,120)**
Share of losses of jointly-controlled entities						**(866)**
Tax						**(620)**
Profit for the period						**1,387**

Six months ended 30 June 2004 (Restated)

	Home entertainment *HK$'000*	In-car electronics *HK$'000*	Network information/ entertainment solutions *HK$'000*	Corporate and Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Segment revenue:						
Sales to external customers	839,225	988,905	5,010	–	–	1,833,140
Intersegment sales	11	43,165	–	–	(43,176)	–
Other revenue	1,567	4,080	6	1,056	–	6,709
Total	840,803	1,036,150	5,016	1,056	(43,176)	1,839,849
Segment results	(8,414)	45,927	(1,920)	1,057	–	36,650
Interest Income						4,760
Unallocated expenses						(19,583)
Finance costs						(6,859)
Share of profit and (losses) of:						
– Jointly-controlled entities						(4,474)
– Associates						3,587
Tax						(395)
Profit for the period						13,686

(b) **Geographical segments**

The following tables present revenue for the Group's geographical segments.

Group

Six months ended 30 June 2005

	U.S.A. *HK$'000*	**Europe** *HK$'000*	**Asia** *HK$'000*	**Central and South America** *HK$'000*	**Canada** *HK$'000*	**Others** *HK$'000*	**Elimina-tions** *HK$'000*	**Con-solidated** *HK$'000*
Segment revenue:								
Sales to external customers	**433,292**	**837,082**	**156,163**	**117,265**	**114,027**	**42,773**	**–**	**1,700,602**

Six months ended 30 June 2004

	U.S.A. *HK$'000*	Europe *HK$'000*	Asia *HK$'000*	Central and South America *HK$'000*	Canada *HK$'000*	Others *HK$'000*	Elimina-tions *HK$'000*	Con-solidated *HK$'000*
Segment revenue:								
Sales to external customers	558,707	925,216	109,955	69,125	121,790	48,347	–	1,833,140

4. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2005 **(Unaudited)** ***HK$000***	2004 (Unaudited) *HK$000*
Tooling and repairing service income	**5,690**	2,575
Interest income	**3,191**	4,760
Rental income	**572**	1,021
Sales of scrap materials	**1,290**	314
Commission income	**–**	948
Others	**811**	1,851
	11,554	11,469

5. FINANCE COSTS

	For the six months ended 30 June	
	2005 **(Unaudited)** ***HK$000***	2004 (Unaudited) *HK$000*
Interest on bank loans, overdrafts, and trust receipt loans wholly repayable within five years	**17,120**	6,844
Interest on finance leases	**–**	15
	17,120	6,859

6. PROFIT BEFORE TAX

Profit before tax was determined after charging the following:

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$000	*HK$000*
Depreciation	**49,431**	37,663
Amortisation of prepaid land lease payments	**32**	–
Research and development costs:		
Deferred expenditure amortised	**19,362**	16,333
Current year's expenditure	**7,619**	6,721
	26,981	23,054

7. TAX

	For the six months ended 30 June	
		Restated
	2005	2004
	(Unaudited)	(Unaudited)
	HK$000	*HK$000*
Current - Hong Kong profits tax	**1,166**	1,273
Current - PRC corporate income tax ("CIT")	**319**	1,275
Deferred	**(865)**	(2,153)
Total tax charge for the period	**620**	395

Hong Kong profits tax has been provided at a rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The tax rate for corporate income tax ("CIT") applicable to the subsidiaries and jointly-controlled entities of the Group operating in Mainland China were 33%. Certain of these subsidiaries and jointly-controlled entities were eligible for exemption from CIT for the two years starting from the first year in which assessable profits were generated, and a 50% exemption from CIT for the following three years.

Share of tax attributable to jointly-controlled entities and associates amounting to HK$3,000 (six months ended 2004: HK$663,000) are included in "Share of profit and losses of jointly-controlled entities and associate" on the face of the condensed consolidated profit and loss account.

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the period is based on the profit attributable to equity holders of the parent of HK$881,000 (six months ended 30 June 2004: HK$13,698,000), and the weighted average number of 509,805,968 (six months ended 30 June 2004: 509,805,968) ordinary shares in issue during the period.

Diluted earnings per share amounts for the periods ended 30 June 2005 and 2004 have not been disclosed as no dilutive events existed during these periods.

9. DIVIDEND

At a meeting of the board of directors held on 21 September 2005, the directors resolved not to pay an interim dividend to shareholders (2004: HK 0.5 cent).

10. ACQUISITION OF A SUBSIDIARY

On 10 March 2005, the Group increased its interest in Orient Power (Wuxi) Digital Technology Co. Limited ("OPWX") from 55% to 77.5%, at a consideration of approximately HK$39,000,000. OPWX is an equity joint venture company established in the PRC. The acquisition has been accounted for using the purchase method of accounting. The amount of goodwill arising as a result of this acquisition was HK$1,521,000.

	HK$'000
Net assets acquired	71,239
Minority interests	(16,029)
	55,210
Goodwill arising on acquisition	1,521
	56,731
Satisfied by:	
Cash consideration paid	39,000
Interest in jointly-controlled entity	17,731
	56,731

The carrying amounts of net assets acquired approximate to their fair value.

The goodwill arising on the acquisition of OPWX is attributable to the anticipated profitability of the manufacturing and China distribution of the Group's products in the local market and the anticipated future operating synergies from the combination.

OPWX contributed approximately HK$73,063,000 and HK$2,257,000 to the Group's turnover and profit for the period, respectively, for the period between the date of acquisition and the balance sheet date. Had the acquisition been completed on 1 January 2005, the Group's turnover for the period would have been increased by approximately HK$12,178,000 and profit for the period would have been decreased by approximately HK$184,000. This proforma information is for illustrative purposes only and is not necessarily indicative of the turnover and results of the Group that would actually have been impacted had the acquisition been completed on 1 January 2005, nor is it intended to be a projection of future results.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2005 (2004: HK0.5 cent per share).

BUSINESS REVIEW AND PROSPECTS

Demands for conventional home audio-video products in mature markets have steadily decreased due to emergence of new digital audio and video products. Suppliers of conventional products are competing for shares in the declining market. The same phenomenon can be said about the In-Car business. The Group's digital terrestrial television (DTT) products for the European market are steadily gaining early acceptance by importers and therefore market share. However, currently growth of the DTT market has temporarily slowed down as the market goes through an adjustment phase.

Taking into account the changes in market dynamics, the management has been taking prudent steps to increase efficiency via reduction of expenses through organizational change. In spite of the growing China economy, the management has decided to consolidate its domestic distribution business in view of slim profit margins and counterparty risks.

The legal disputes between Philips and the Group have impact on the results of the Group as they draw resources and management attention.

The soaring price of petroleum and increases in interest rates present challenges to our business operations. The Group will focus on reducing operating expenses for the second half of this year in order to preserve our resources in preparation for the business opportunities and challenges in 2006.

As mentioned in the announcement of the Company dated 25 July 2005, a majority of the bankers of the Group (the "Lenders") are currently observing an informal standstill principally to the effect that the existing facilities remain available to the Group and no enforcement action will be taken by any Lender against the Group. The Group is finalising with the Lenders on a formal standstill agreement.

Management is committed to our fundamental strategy of product innovations and cost leadership. We firmly believe that our fundamental strategy, together with support from various stakeholders, will put us back on course in 2006.

PROFIT WARNING

In view of the substantial increase in professional fees in dealing with the bank creditors and the disputes with Philips, and higher interest expenses, the Group is foreseeing adverse impacts on its financial results for the year 2005 and is expecting that a loss may be incurred for the year for the first time. The directors would like to advise investors to exercise caution when dealing with shares of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the six months ended 30 June 2005.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2005, except for the deviations as mentioned below.

Code Provision A.2.1 stipulates that the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive and Mr. Poon Ka Hung currently holds both positions. The Board believes that vesting the roles of both Chairman and Chief Executive in the same person provides the Group with strong and consistent leadership and allows for effective planning, formulation and implementation of the Company's business strategies which will enable the Group to sustain the development of the Group's business efficiently.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for specific terms. However, all the non-executive directors of the Company have not been appointed for specific terms but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Bye-laws of the Company.

In April 2005, the Company's Remuneration Committee with specific written terms of reference was established in accordance with the requirements of the Code. The Remuneration Committee consists of four members including one non-executive director and three independent non-executive directors of the Company. In addition, the terms of reference of the Audit Committee was modified to incorporate certain provisions set out in the Code.

To ensure stricter compliance with the Code, relevant amendment to the Company's Bye Laws was proposed and approved by shareholders at the Annual General Meeting of the Company held on 30 May 2005 so that every Director shall be subject to retirement by rotation at least once every three years.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2005. However, these interim results have not been reviewed by the Company's auditors.

DIRECTORS OF THE COMPANY

As at the date of this announcement, the directors of the Company comprise Messrs. Poon Ka Hung, Wu Lai Ping and Lin Hoo Fun as executive directors; Mr. Leung Chun Pong, Ms. Jennifer Cheung Mei Ha and Mr. Edward Fung Chi Kong as non-executive directors; and Messrs. Joseph Chan Wing Tai, Tay Chee Hung and Tang Tin Ying as independent non-executive directors.

By Order of the Board
Poon Ka Hung
Chairman

Hong Kong, 21 September 2005

"Please also refer to the published version of this announcement in China Daily"